

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-12 IO-14 ISO-00 SP-02 USIA-15
AID-05 NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01
L-03 H-02 PA-02 PRS-01 CIAE-00 COME-00 FRB-01
INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 MCE-00
ITC-01 AGRE-00 /130 W
-----103072 311803Z /53

R 311729Z JAN 78
FM AMEMBASSY BONN
TO SECSTATE WASHDC 5378
INFO AMEMBASSY TOKYO
AMEMBASSY BRUSSELS
AMEMBASSY PARIS
AMEMBASSY LONDON
USMISSION GENEVA

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USEEC, USMTN

E.O. 11652 N/A
TAGS: ETRD, JA, EEC, GW
SUBJECT: US-JAPANESE AGREEMENT - PRESS REPORT

1. AN ARTICLE, ENTITLED "SECRET AGREEMENT BETWEEN
TOKYO AND WASHINGTON?" APPEARED IN THE JANUARY 27
EDITION OF THE FRANKFURTER ALLGEMEINE ZEITUNG.
INFORMAL TRANSLATION FOLLOWS:

2. IN THE COMING TALKS THIS WEEKEND IN BRUSSELS
BETWEEN THE JAPANESE MINISTER FOR FOREIGN ECONOMIC
AFFAIRS USHIBA AND THE EUROPEAN COMMISSION, THE
EC WILL EXPRESS ITS DOUBTS OVER THE EFFICACY OF
JAPANESE MEASURES TO REDUCE THEIR TRADE BALANCE
SURPLUS. BRUSSELS HAS NOTED WITH ASTONISHMENT THE
EXTREMELY POSITIVE U.S. REACTION TO THE AGREEMENT
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WORKED OUT BETWEEN TOKYO AND WASHINGTON. THE
RESPONSIBLE OFFICES IN BRUSSELS ARE COMING TO THE
CONCLUSION, AFTER CLOSER STUDY OF THE AGREEMENT,
THAT THE MEASURES COULD HARDLY WORK. FOR THIS
REASON, THE SUSPICION HAS ARISEN IN BRUSSELS,
THAT THE JAPANESE COULD HAVE SECRETLY MADE
THE COMMITMENT TO THE AMERICANS THAT THEY WOULD

INCREASE ARMS PURCHASES IN THE U.S. IN THIS WAY,
THE TRADE SURPLUS OF ABOUT 10 BILLION DOLLARS COULD BE
REDUCED.

3. FIRST OF ALL, BRUSSELS DOUBTS THE PROSPECT
OF A 7.5PERCENT GROWTH RATE FOR JAPAN IN 1978.
ACCORDING TO EC ESTIMATES, THE GROWTH RATE WILL
REACH ONLY 5.5 PERCENT. FURTHERMORE, OBSERVERS
BELIEVE THAT THE TARIFF REDUCTIONS WHICH THE
JAPANESE ARE INSTITUTING AUTONOMOUSLY, AND
WHICH WILL LATER HOWEVER BE INCORPORATED
IN THE GATT ROUND OF TARIFF REDUCTIONS,
WILL HAVE ONLY LITTLE EFFECT. IT HARDLY HELPS
WHEN, FOR EXAMPLE, THE TARIFF FOR AUTOMOBILES
IS LOWERED FROM 6.5 TO 0 PERCENT, IF FOREIGN
PRODUCTS ARE TWICE AS EXPENSIVE IN JAPAN AS THEY
ARE IN THE COUNTRY OF ORIGIN. BECAUSE OF THE
SMALL NUMBERS OF CARS SOLD, THE DEALERS TAKE EX-
TREMELY HIGH MARGINS.

4. THE AVERAGE TARIFF RATE, ENVISAGED BY
THE JAPANESE IS TO BE REDUCED FROM 10.8 TO
6.2 PERCENT, OVER AN EIGHT YEAR PERIOD. BRUSSELS
HAS FIGURED OUT AN AVERAGE REDUCTION OF ONLY
2 PERCENT, FOR THE GOODS IN WHICH THE COMMUNITY
IS INTERESTED. THE JAPANESE PROMISES TO CUT
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TARIFFS, IT SEEMS, ARE TO BENEFIT U.S. GOODS, AND
NOT SO MUCH EC PRODUCTS. THEREFORE THE EC, IN ITS
DISCUSSIONS WITH USHIBA, WILL URGE MORE CONSIDERATION
FOR EC EXPORTS. THEY WOULD INCLUDE CHEMICAL

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PRODUCTS, PROCESSED AGRICULTURAL GOODS, HEXILES
AND MACHINES.

5. IN ADDITION, THE COMMUNITY WILL ASK GENERALLY
FOR AN INCREASE IN THE SHARE OF FINISHED GOODS
IN JAPANESE TOTAL IMPORTS, WITHOUT NAMING A SPECIFIC
PERCENTAGE. UNTIL NOW THE PORTION HAS BEEN ONLY
20 PERCENT. ALSO, BRUSSELS WILL ASK THE JAPANESE
TO BE MORE CONCESSIONARY IN GOVERNMENT PURCHASING.
FINALLY, THE EC HOPES THE JAPANESE WILL SUCCEED
IN ATTEMPTS TO IMPROVE IMPORT FINANCING.

6. THE COMMISSION SEES THIS AS AN OPPORTUNITY TO
SPEAK CLEARLY WITH THE JAPANESE, BECAUSE THE FRENCH
AND BRITISH, IN PARTICULAR, ARE DEMANDING MORE
PROTECTION AGAINST JAPANESE EXPORTS. IT IS CONCEDED
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IN BRUSSELS, THAT SOME ARE ONLY LOOKING FOR A
SCAPIGOAT FOR PROTECTIONISTIC MEASURES.

7. ACTUALLY WHAT IS SHOWN IN THE JAPANESE TRADE
BALANCE SURPLUS VIS A VIS THE EC OF 5 BILLION, IS
THE ESPECIALLY STRONG COMPETITIVENESS OF JAPAN.
THE COMMISSION WILL THEREFORE SEE TO IT THAT IT
WILL BE POSSIBLE TO INCREASE EXPORTS TO
JAPAN. ALSO IT WILL WORK FOR A TRILATERAL
CONFERENCE BETWEEN THE US, EC AND JAPAN WHERE
TRADE QUESTIONS SHOULD BE DISCUSSED. END
TRANSLATION.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, TRADE
Control Number: n/a
Copy: SINGLE
Draft Date: 31 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BONN01871
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780046-0432
Format: TEL
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978015/aaaaadxl.tel
Line Count: 169
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 36023ce2-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17 feb 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3754933
Secure: OPEN
Status: NATIVE
Subject: US-JAPANESE AGREEMENT - PRESS REPORT
TAGS: ETRD, JA, GE, EEC
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/36023ce2-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014